

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4445-02  
Bill No.: HB 1650  
Subject: Taxation and Revenue - Property, Real and Personal  
Type: Original  
Date: February 1, 2016

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Bill Summary: This proposal establishes a limit on residential property assessment increases for the elderly and disabled who own and live in their principal residence proportional to the increase in their Social Security benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** state this proposed legislation should not result in additional costs or savings to B&P.

According to B&P, this proposal limits the increase in assessed valuation of residential property used as a principal residence by qualified taxpayers (homeowners aged 67 or disabled, and under the proposed income limit) is limited to the percentage of increase in Social Security benefits for the qualified taxpayer. This proposal could diminish Blind Pension Fund revenue growth, and by the same amount, Total State Revenue.

According to National Center for Health Statistics, a 2014 American Community Survey 1-year estimates, the number of Missouri owner occupied households with a householder age 65 or older was 472,369, which represents 20.1% of all occupied housing units or 30.0% of owner-occupied housing units.

According to the National Center for Health Statistics there were 800,275 persons in Missouri age 67 or older based upon the 2014 population estimates representing 13.2% of the population.

These changes only apply to the counties and the City of St. Louis, that adopt the provisions as stated in Section 137.115.17(2).

This proposal will limit the growth in municipal revenues, including school districts, if levies are not otherwise adjusted

**Oversight** assumes this proposal is permissive to any county and the City of St. Louis and there will be no local impact unless a county or the City of St. Louis would choose to adopt this proposal.

Officials from the **Department of Revenue** and the **Department of Insurance, Financial Institutions and Professional Registration** state this proposal has no fiscal impact on their respective agencies.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposed legislation has the potential to have a negative impact on school district property tax revenue because qualified taxpayers will have increases in their property assessments limited to the increase in their social security payments. While it is impossible to accurately calculate the loss in property tax revenue, it likely would be small in most districts. The loss in revenue is going to be the difference between reassessment growth and the percentage of increase in social security payments, if any, for a limited segment of taxpayers.

DESE states there does not appear to be any fiscal impact to the state school foundation formula.

Officials from the **Office of State Auditor (SAO)** assume §137.115.17 (7) gives the SAO the authority to promulgate rules to implement provisions of the subsection; however, the SAO has no other duties listed in the proposal.

Officials from **Kansas City** assume that the proposed limitations on reassessments and, consequently, property tax receipts, will result in a decrease of revenue currently owed to the City, however the amount cannot be determined because the lack of records matching elderly person and disabled persons to owner-occupied homes.

Officials from **Boone County** responded, and indicated a fiscal impact would be difficult if not impossible to ascertain.

**Oversight** notes this proposal is effective for assessments conducted after December 31, 2016, and affect an unknown limited number of taxpayers who must meet the following requirements;

- be receiving certain qualified benefits
- be over age 67 or disabled
- own and occupy their personal residence
- have an increase in the assessed valuation of their personal residence
- have income below limits which increase over time based upon the general price level
- provide proof of qualifications to the county assessor
- do not have an percentage increase in benefits which exceeds the percentage increase in assessed valuation

**Oversight** will assume no material revenue losses to political subdivisions, or to the Blind Pension Fund.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

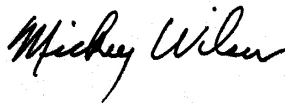
### FISCAL DESCRIPTION

Beginning January 1, 2017, this proposal limits the increase in assessed valuation of residential property to taxpayers who receive certain qualified benefits, meet the age or disability requirement, own and occupy their personal residence, experience an increase in assessed valuation which exceeds the percentage of increase in the federal Social Security benefits in the previous year, have income below the stated limits and have provided proof of eligibility to the county assessor. The maximum income limit will increase by the same incremental increase in the general price level as specified in the Missouri Constitution.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Revenue  
Department of Insurance, Financial Institutions and Professional Registration  
Office of the Secretary of State  
Office of Administration  
    Division of Budget and Planning  
Department of Elementary and Secondary Education  
City of Kansas City  
County of Boone



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February 1, 2016

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February 1, 2016